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C O N F I D E N T I A L SECTION 01 OF 02 MANAMA 000922

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TAGS: [EPET](#) [ETTTC](#) [ENRG](#) [PREL](#) [IR](#) [BA](#)
SUBJECT: BAHRAINI EFFORTS TO SECURE NEW NATURAL GAS
SUPPLIES: UPDATE

REF: A. MANAMA 873
[1](#)B. MANAMA 666

Classified By: Ambassador Adam Ereli for reasons 1.4(b) and (d).

SUMMARY

[1](#)1. (C) Oil and Gas Minister Mirza told the Ambassador that gas talks with Iran are progressing. If an agreement were finalized next year, a pipeline could be built in 3-4 years. The Ambassador reminded Mirza of strong U.S. objections to any such deal; Mirza agreed that U.S. opposition would be a major impediment, but noted that talks with the two alternative gas suppliers, Qatar and Saudi Arabia, hadn't been fruitful and Bahrain needed to find a source for the additional one billion cubic feet of gas per day it will need by 2012. End Summary.

IRAN GAS DEAL GETTING CLOSER

[1](#)2. (C) In a meeting with the Ambassador September 26, Minister of Oil and Gas Affairs Dr. Abdul Hussein Ali Mirza elaborated on press reports of talks with Iran that could lead to a natural gas deal within a year. A pipeline could be built in 3-4 years time, he said. Following a first round of bilateral negotiations in Manama during the first week of September, Mirza said publicly, "If everything goes according to plan, the import of Iranian gas will begin in 2012. The Iranians told us that they have been instructed to reach a deal with us and make gas available."

[1](#)3. (U) A second round of negotiations on the project is expected to take place in October in Tehran. Local daily The Bahrain Tribune September 27 cited Iranian Ambassador Hossein Amir Abdollahian's support of the project. "Iran is ready to expand its economic ties with Bahrain and push forward with discussions on energy cooperation." Ambassador Ereli cautioned that any Bahraini investment in Iran's energy sector would be of serious concern to the U.S., both politically and because it would run afoul of U.S. sanctions statutes. "I know you guys don't like Iran," said Mirza, "but we have to do what we have to do. It's a question of Bahrain's future survival." He claimed that Kuwait and Oman had each already signed natural gas deals with Iran. However, when pressed by the Ambassador, he conceded that these were not firm deals, but rather MOUs. In answer to the Ambassador's question, he indicated that Iran's only firm gas deal in the Gulf appeared to be one with Crescent National Gas Corporation, a shareholder in the UAE energy firm Dana Gas.

QATARI, SAUDI GAS OUT OF REACH FOR NOW

¶4. (C) The Ambassador inquired as to the current state of natural gas negotiations with Qatar. Mirza said he had most recently discussed the prospect with a Qatari delegation on September 25. Mirza noted good Bahraini - Qatari bilateral relations and said that the political will for a gas deal existed between the King and Qatar,s Emir. However, this apparently had not thus far altered Qatari Minister of Energy and Industry Abdullah Bin Hamad Al-Attiyah,s moratorium on new gas contracts, pending the completion of an internal review of Qatar,s current gas commitments (Ref. B). Nevertheless, gas talks with Qatar would continue. The Ambassador inquired as to how soon Qatari gas could be available to Bahrain. Mirza said that, due to the need to conclude an agreement and construct a pipeline, in a best-case scenario Qatari gas would be able to reach Bahrain between 2012 and 2014.

¶5. (C) Mirza said a study commissioned by the GOB had indicated strong potential for gas development in the Abu Safa field (Ref. A). (Note: As part of the settlement to a territorial dispute, Bahrain and Saudi Arabia agreed decades ago to share in the field's output. However, the Saudis have refused to share the field's seismic technical data with the Bahrainis. The GOB has not relinquished its claim on the field. End Note.) Mirza said he had approached Saudi Oil Minister Al-Naimi with a proposal to develop the field's gas production, but Al-Naimi demurred, claiming such a venture would not be worthwhile because the gas in question was sour, containing large quantities of hydrogen sulfide that made its

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recovery relatively unattractive. Said Mirza, "I made him an offer. You don't have to spend anything. Let us develop it. But still he refused."

¶6. (C) Mirza emphasized Bahrain's growing demand for gas to produce electricity, power its lucrative aluminum smelter and support continued industrial expansion and economic diversification (Refs. A and B). "Besides, except for the options we're already exploring" (Iran, Qatar, and Saudi Arabia) "everyone else in the region needs gas as much as Bahrain." However, he added that unlike these other countries, Bahrain's looming gas shortage was immediate. "We have to move now. We can't just say 'insha,allah' (god willing) and wait."

COMMENT

¶7. (C) Mirza makes it clear that he is seized with the challenge of securing gas to sustain Bahrain's industrial growth. While he and other senior GOB officials have also stated that Iran is the least attractive of their available choices (Refs. A and B), it is evident that a sense of urgency is increasing. Until the understanding between the King and Qatar,s Emir manifests as a tangible agreement that Qatar will provide Bahrain with gas, Mirza will explore all other options. End Comment.

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